

# House File 2518 - Reprinted

HOUSE FILE 2518

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO HF 2502)

(SUCCESSOR TO HSB 566)

(As Amended and Passed by the House March 17, 2010)

## A BILL FOR

1 An Act concerning public retirement systems, including the  
2 public safety peace officers' retirement, accident, and  
3 disability system, the Iowa public employees' retirement  
4 system, and the statewide fire and police retirement system,  
5 making appropriations, and including effective date and  
6 retroactive applicability provisions.  
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I  
PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
ACCIDENT, AND DISABILITY SYSTEM

Section 1. Section 80.8, Code 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 4. Should a peace officer become incapacitated for duty as a natural and proximate result of an injury, disease, or exposure incurred or aggravated while in the actual performance of duty at some definite time or place, the peace officer shall, upon being found to be temporarily incapacitated following an examination by a workers' compensation physician or other approved physician be entitled to receive the peace officer's fixed pay and allowances, without using the peace officer's sick leave, until reexamined by a workers' compensation physician or other approved physician or examined by the medical board provided for in section 97A.5, and found to be fully recovered or permanently disabled. In addition, a peace officer found to be temporarily incapacitated under this subsection shall be credited with any sick leave used prior to the determination that the peace officer was temporarily incapacitated under this subsection for the period of time sick leave was used. For purposes of this subsection, disease shall mean as described in section 97A.6, subsection 5.

Sec. 2. Section 97A.1, subsection 6, Code 2009, is amended to read as follows:

6. "*Child*" means only the surviving issue of a deceased active or retired member, or a child legally adopted by a deceased member prior to the member's retirement. "*Child*" includes only an individual who is under the age of eighteen years, an individual who is under the age of twenty-two and is a full-time student, or an individual who is disabled under the definitions used in section ~~402~~ 202 of the Social Security Act as amended if the disability occurred to the individual during the time the individual was under the age of eighteen years

1 and the parent of the individual was an active member of the  
2 system.

3 Sec. 3. Section 97A.6, subsection 2, paragraph e,  
4 subparagraph (6), Code 2009, is amended to read as follows:

5 (6) For a member who terminates service, other than by  
6 death ~~or disability~~, on or after July 1, 2000, and who does  
7 not withdraw the member's contributions pursuant to section  
8 97A.16, upon the member's retirement there shall be added  
9 two and three-fourths percent of the member's average final  
10 compensation for each year of service over twenty-two years.  
11 However, this subparagraph does not apply to more than ten  
12 additional years of service.

13 Sec. 4. Section 97A.6, subsection 5, paragraph b, Code 2009,  
14 is amended by striking the paragraph.

15 Sec. 5. Section 97A.6, subsection 7, paragraph a,  
16 subparagraph (2), Code 2009, is amended to read as follows:

17 (2) A beneficiary retired under the provisions of this  
18 paragraph in order to be eligible for continued receipt of  
19 retirement benefits shall no later than May 15 of each year  
20 submit to the board of trustees a copy of the beneficiary's  
21 ~~state~~ federal individual income tax return for the preceding  
22 year. The beneficiary shall also submit, within sixty days,  
23 any documentation requested by the system that is determined to  
24 be necessary by the system to determine the beneficiary's gross  
25 wages.

26 Sec. 6. Section 97A.6, subsection 7, paragraph b, Code 2009,  
27 is amended to read as follows:

28 b. Should a disability beneficiary under age fifty-five  
29 be restored to active service at a compensation not less than  
30 the disability beneficiary's average final compensation, the  
31 disability beneficiary's retirement allowance shall cease, the  
32 disability beneficiary shall again become a member and shall  
33 contribute thereafter at the same rate payable by other members  
34 of comparable rank, seniority, and age, and former service on  
35 the basis of which the disability beneficiary's service was

1 computed at the time of retirement shall be restored to full  
2 force and effect. Upon subsequent retirement the disability  
3 beneficiary shall be credited with all service as a member, and  
4 also with no more than two years of the period of disability  
5 retirement.

6 Sec. 7. Section 97A.8, subsection 1, paragraph b,  
7 subparagraph (2), subparagraph division (e), Code 2009, is  
8 amended by striking the subparagraph division and inserting in  
9 lieu thereof the following:

10 (e) For the fiscal year beginning July 1, 2012, twenty-seven  
11 percent.

12 (f) For the fiscal year beginning July 1, 2013, twenty-nine  
13 percent.

14 (g) For the fiscal year beginning July 1, 2014, thirty-one  
15 percent.

16 (h) For the fiscal year beginning July 1, 2015, thirty-three  
17 percent.

18 (i) For the fiscal year beginning July 1, 2016, thirty-five  
19 percent.

20 (j) For each fiscal year beginning on or after July 1, 2017,  
21 the lesser of thirty-seven percent or the normal contribution  
22 rate as calculated pursuant to subparagraph (l).

23 Sec. 8. Section 97A.8, subsection 1, paragraph e,  
24 subparagraph (8), Code 2009, is amended to read as follows:

25 (8) (a) For purposes of this subparagraph, the "applicable  
26 employee percentage" shall be as follows:

27 (i) For the fiscal period beginning July 1, 2006, and ending  
28 June 30, 2011, nine and thirty-five hundredths percent.

29 (ii) For the fiscal year beginning July 1, 2011, nine and  
30 eighty-five hundredths percent.

31 (iii) For the fiscal year beginning July 1, 2012, ten and  
32 thirty-five hundredths percent.

33 (iv) For the fiscal year beginning July 1, 2013, ten and  
34 eighty-five hundredths percent.

35 (v) For the fiscal year beginning July 1, 2014, and each

1 fiscal year thereafter, eleven and thirty-five hundredths  
 2 percent.

3     **(b)** Notwithstanding any other provision of this chapter,  
 4 beginning July 1, 1996, and each fiscal year thereafter, an  
 5 amount equal to the member's contribution rate times each  
 6 member's compensation shall be paid to the retirement fund from  
 7 the earnable compensation of the member. For the purposes  
 8 of this subparagraph, the member's contribution rate shall  
 9 be ~~nine and thirty-five hundredths percent~~ the applicable  
 10 employee percentage. However, ~~the system shall increase the~~  
 11 ~~member's contribution rate as necessary to cover any increase~~  
 12 ~~in cost to the system resulting from statutory changes which~~  
 13 ~~are enacted by any session of the general assembly meeting~~  
 14 ~~after January 1, 1995, if the increase cannot be absorbed~~  
 15 ~~within the contribution rates otherwise established pursuant to~~  
 16 ~~this paragraph, but subject to a maximum employee contribution~~  
 17 ~~rate of eleven and three-tenths percent. After the employee~~  
 18 ~~contribution reaches eleven and three-tenths percent, sixty~~  
 19 ~~percent of the additional cost of such statutory changes shall~~  
 20 ~~be paid by the employer under paragraph "c" and forty percent~~  
 21 ~~of the additional cost shall be paid by employees under this~~  
 22 ~~subparagraph (8).~~

23     Sec. 9. Section 97A.8, subsection 1, Code 2009, is amended  
 24 by adding the following new paragraph:

25     **NEW PARAGRAPH.** *i.* Notwithstanding any provision of this  
 26 subsection to the contrary, if any statutory changes are  
 27 enacted by any session of the general assembly meeting after  
 28 January 1, 2011, which increases the cost to the system,  
 29 the system shall, if the increased cost cannot be absorbed  
 30 within the contribution rates otherwise established pursuant  
 31 to this subsection at the time the statutory changes are  
 32 enacted, increase the normal contribution rate and the member's  
 33 contribution rate as necessary to cover any increase in cost  
 34 by providing that sixty percent of the additional cost of such  
 35 statutory changes shall be paid by the employer under paragraph

1 "c" and forty percent of the additional cost shall be paid by  
2 employees under paragraph "e", subparagraph (8).

3 Sec. 10. Section 97A.10, subsection 1, paragraph a,  
4 subparagraph (1), Code 2009, is amended to read as follows:

5 (1) "*Eligible qualified service*" means ~~as follows:~~

6 ~~(a) Service with the department prior to July 1, 1994, in~~  
7 ~~a position as a gaming enforcement officer, fire prevention~~  
8 ~~inspector peace officer, or as an employee of the division of~~  
9 ~~capitol police except clerical workers.~~

10 (b) ~~Service~~ service as a member of a city fire retirement  
11 system or police retirement system operating under chapter 411  
12 prior to January 1, 1992, for which service was not eligible to  
13 be transferred to this system pursuant to section 97A.17.

14 Sec. 11. Section 97A.10, subsections 2 and 3, Code 2009, are  
15 amended to read as follows:

16 2. An active member of the system may make contributions to  
17 the system to purchase up to the maximum amount of permissive  
18 service credit for eligible qualified service as determined by  
19 the system, pursuant to Internal Revenue Code section 415(n)  
20 and the requirements of this section. A member seeking to  
21 purchase permissive service credit pursuant to this section  
22 shall file a written application along with appropriate  
23 documentation with the department by July 1, ~~2007~~ 2011.

24 3. A member making contributions for a purchase of  
25 permissive service credit for eligible qualified service under  
26 this section shall make contributions in an amount equal to the  
27 actuarial cost of the permissive service credit purchase, less  
28 an amount equal to the member's contributions under chapter  
29 411 for the period of eligible qualified service together  
30 with interest at a rate determined by the board of trustees.

31 For purposes of this subsection, the actuarial cost of the  
32 permissive service credit purchase is an amount determined by  
33 the system in accordance with actuarial tables, as reported  
34 to the system by the system's actuary, which reflects the  
35 actuarial cost necessary to fund an increased retirement

1 allowance resulting from the purchase of permissive service  
2 credit.

3 Sec. 12. Section 97A.11, Code 2009, is amended to read as  
4 follows:

5 **97A.11 Contributions by the state.**

6 On or before the first day of ~~November~~ January in each year,  
7 the board of trustees shall certify to the director of the  
8 department of administrative services the amounts which will  
9 become due and payable during the fiscal year next following to  
10 the retirement fund. The amounts so certified shall be paid  
11 by the director of the department of administrative services  
12 out of the funds appropriated for the Iowa department of public  
13 safety, to the treasurer of state, the same to be credited to  
14 the system for the ensuing fiscal year.

15 Sec. 13. NEW SECTION. **97A.11A Supplemental state**  
16 **appropriation.**

17 1. Beginning with the fiscal year commencing July 1,  
18 2012, and ending June 30 of the fiscal year during which the  
19 board determines that the system's funded ratio of assets  
20 to liabilities is at least eighty-five percent, there is  
21 appropriated from the general fund of the state for each fiscal  
22 year to the retirement fund described in section 97A.8, an  
23 amount equal to five million dollars.

24 2. Moneys appropriated by the state pursuant to this section  
25 shall not be used to reduce the normal rate of contribution by  
26 the state below seventeen percent.

27 Sec. 14. Section 97A.14, Code 2009, is amended to read as  
28 follows:

29 **97A.14 Hospitalization and medical attention.**

30 1. The board of trustees shall provide hospital, nursing,  
31 and medical attention for the members in service when injured  
32 while in the performance of their duties and shall continue  
33 to provide hospital, nursing, long-term care, and medical  
34 attention for injuries or diseases incurred while in the  
35 performance of their duties for the members but only while

1 the members are still receiving a retirement allowance under  
 2 section 97A.6, subsection 6. The cost of hospital, nursing,  
 3 and medical attention shall be paid out of the retirement fund.  
 4 However, any amounts received by the injured person under the  
 5 workers' compensation law of the state, or from any other  
 6 source for such specific purposes, shall be deducted from the  
 7 amount paid by the board of trustees ~~provisions of~~ under this  
 8 section.

9 2. For purposes of this section, medical attention shall  
 10 include but not be limited to services provided by licensed  
 11 medical personnel to include office, hospital, nursing home  
 12 care, long-term care, and prescriptions for medicine or  
 13 equipment. Within twelve months of receiving treatment or  
 14 incurring a cost with direct correlation to the disabling  
 15 condition, the beneficiary of an accidental disability benefit  
 16 shall submit a written request for reimbursement to the board.  
 17 A denial of reimbursement by the board shall be subject to  
 18 judicial review in the same manner as any other action by the  
 19 board in accordance with section 97A.6, subsection 13.

20 Sec. 15. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
 21 ACCIDENT, AND DISABILITY SYSTEM — ADDITIONAL APPROPRIATION  
 22 FOR PURCHASE OF SERVICE. If section 97A.10 is amended by this  
 23 Act to provide for the purchase of eligible service credit on  
 24 and after July 1, 2010, there shall be appropriated from the  
 25 general fund of the state to the retirement fund described in  
 26 section 97A.8 an amount equal to that portion of the actuarial  
 27 cost of the permissive service credit purchase for eligible  
 28 service credit pursuant to section 97A.10 that is not required  
 29 to be contributed by a member making contributions to the  
 30 system for that purchase.

31 Sec. 16. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
 32 ACCIDENT, AND DISABILITY SYSTEM — EMPLOYERS CONTRIBUTION RATE  
 33 CALCULATION STUDY.

34 1. The board of trustees of the Iowa department of public  
 35 safety peace officers' retirement, accident, and disability



1 system, as defined in section 97A.2, shall, in consultation  
2 with the system's actuary, conduct a study concerning the  
3 calculation of the employers contribution rate beginning on and  
4 after July 1, 2017, with the goal of establishing a mechanism  
5 for ensuring that the system's funded ratio of assets to  
6 liabilities is at least eighty-five percent.

7 2. On or before October 15, 2015, the board of trustees  
8 shall file a report with the legislative services agency, for  
9 distribution to the public retirement systems committee, which  
10 contains the results of the study and any recommendations for  
11 statutory changes to implement the recommendations of the  
12 study.

13 Sec. 17. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
14 ACCIDENT, AND DISABILITY SYSTEM — ADJUSTMENT OF PENSIONS  
15 PAYABLE. It is the intent of the general assembly that the  
16 applicable amount for each adjustment occurring on July 1  
17 as provided in section 97A.6, subsection 14, paragraph "a",  
18 subparagraph (2), subparagraph division (a), shall be the  
19 exact dollar amount listed in each subparagraph subdivision  
20 of subparagraph division (a) for each July 1 in which that  
21 particular subparagraph subdivision applies and shall not  
22 be increased above the amount listed in that subparagraph  
23 subdivision for each year that the subparagraph subdivision  
24 applies. However, the applicable amount for each adjustment  
25 occurring on or after July 1, 2010, as provided by this  
26 section, shall not be less than the applicable amount for the  
27 adjustment for the previous July 1.

28 Sec. 18. PUBLIC SAFETY PEACE OFFICERS' RETIREMENT,  
29 ACCIDENT, AND DISABILITY SYSTEM — BOARD REPORT.

30 1. The board of trustees of the Iowa department of  
31 public safety peace officers' retirement, accident, and  
32 disability system, as defined in section 97A.2, shall  
33 conduct a comprehensive examination of the plan design  
34 of the Iowa department of public safety peace officers'  
35 retirement, accident, and disability system, pursuant to the

1 principles established in chapter 97D, with the goal of making  
2 recommendations for benefit and other statutory changes to the  
3 system that will maintain an adequate retirement for members at  
4 a reasonable cost to members and employers.

5 2. On or before October 15, 2011, the board of trustees  
6 shall file a report with the legislative services agency, for  
7 distribution to the public retirement systems committee, which  
8 contains the results of the comprehensive examination and any  
9 recommendations for benefit or other statutory changes to the  
10 system.

11 DIVISION II  
12 IOWA PUBLIC EMPLOYEES'  
13 RETIREMENT SYSTEM

14 Sec. 19. Section 97B.1A, Code Supplement 2009, is amended by  
15 adding the following new subsection:

16 NEW SUBSECTION. 10A. "*Final average covered wage*" means the  
17 greater of the following:

18 a. (1) The member's covered wages averaged for the  
19 highest five years of the member's regular service, except  
20 as otherwise provided in this paragraph. The highest five  
21 years of a member's covered wages shall be determined using  
22 calendar years. However, if a member's final quarter of a  
23 year of employment does not occur at the end of a calendar  
24 year, the system may determine the wages for the fifth year by  
25 computing the average quarter of all quarters from the member's  
26 highest calendar year of covered wages not being used in the  
27 selection of the four highest years and using the computed  
28 average quarter for each quarter in the fifth year in which  
29 no wages have been reported in combination with the final  
30 quarter or quarters of the member's service to create a full  
31 calendar year. However, the system shall not use the member's  
32 final quarter of wages if using that quarter would reduce  
33 the member's final average covered wage. If the five-year  
34 average covered wage of a member exceeds the highest maximum  
35 covered wages in effect for a calendar year during the member's

1 period of service, the five-year average covered wage of the  
2 member shall be reduced to the highest maximum covered wages in  
3 effect during the member's period of service. Notwithstanding  
4 any other provision of this subparagraph to the contrary,  
5 a member's wages for the fifth year as computed under this  
6 subparagraph shall not exceed, by more than three percent, the  
7 member's highest actual calendar year of covered wages.

8 (2) Notwithstanding any other provisions of this paragraph  
9 "a" to the contrary, the member's five-year average covered  
10 wage shall be the lesser of the five-year average covered wage  
11 as calculated pursuant to subparagraph (1) and the adjusted  
12 covered wage amount. For purposes of this subparagraph (2),  
13 the covered wage amount shall be an amount equal to one hundred  
14 thirty-four percent of the member's applicable calendar year  
15 wages. The member's applicable calendar year wages shall be  
16 the member's highest calendar year of covered wages not used in  
17 the calculation of the member's five-year average covered wage  
18 pursuant to subparagraph (1), or such other calendar year of  
19 covered wages selected by the system pursuant to rules adopted  
20 by the system.

21 b. If the member was vested as of June 30, 2012, the  
22 member's three-year average covered wage as of June 30, 2012.

23 Sec. 20. Section 97B.1A, subsection 24, paragraph c, Code  
24 Supplement 2009, is amended to read as follows:

25 c. Notwithstanding any other provisions of this subsection  
26 to the contrary, for a member who retires on or after July 1,  
27 2007, the member's three-year average covered wage shall be the  
28 lesser of the three-year average covered wage as calculated  
29 pursuant to paragraph "a" and the adjusted covered wage  
30 amount. For purposes of this paragraph, the adjusted covered  
31 wage amount shall be the greater of the member's three-year  
32 average covered wage calculated pursuant to paragraph "a" as  
33 of July 1, 2007, and an amount equal to one hundred twenty-one  
34 percent of the member's applicable calendar year wages. The  
35 member's applicable calendar year wages shall be the member's

1 highest ~~full~~ calendar year of covered wages not used in the  
2 calculation of the member's three-year average covered wage  
3 pursuant to paragraph "a", or, ~~if the member does not have~~  
4 ~~another full calendar year of covered wages that was not used~~  
5 ~~in the calculation of the three-year average covered wage under~~  
6 ~~paragraph "a", the lowest full calendar year of covered wages~~  
7 ~~that was used in the calculation of the member's three-year~~  
8 ~~average covered wage pursuant to paragraph "a"~~ such other  
9 calendar year of covered wages selected by the system pursuant  
10 to rules adopted by the system.

11 Sec. 21. Section 97B.1A, subsection 25, paragraph a,  
12 subparagraphs (1) through (5), Code Supplement 2009, are  
13 amended by striking the subparagraphs and inserting in lieu  
14 thereof the following:

15 (1) Is vested by service.

16 (2) Prior to July 1, 2005, has attained the age of  
17 fifty-five.

18 (3) Between July 1, 2005, and June 30, 2012, has attained  
19 the age of fifty-five or greater while in covered employment.

20 (4) On and after July 1, 2012, meets one of the following  
21 requirements:

22 (a) For a member in special service, has attained the age of  
23 fifty-five or greater while in covered employment.

24 (b) For a member in regular service, has attained the age of  
25 sixty-five or greater while in covered employment.

26 Sec. 22. Section 97B.1A, subsection 25, Code Supplement  
27 2009, is amended by adding the following new paragraph:

28 NEW PARAGRAPH. d. "*Vested by service*" means a member who  
29 meets one of the following requirements:

30 (1) Prior to July 1, 1965, had attained the age of  
31 forty-eight and completed at least eight years of service.

32 (2) Between July 1, 1965, and June 30, 1973, had completed  
33 at least eight years of service.

34 (3) Between July 1, 1973, and June 30, 2012, had completed  
35 at least four years of service.

1 (4) On and after July 1, 2012, meets one of the following  
2 requirements:

3 (a) For a member in special service, has completed at least  
4 four years of special service.

5 (b) For a member in regular service, has completed at least  
6 seven years of service.

7 (5) On or after July 1, 1988, an inactive member who had  
8 accumulated, as of the date of the member's last termination of  
9 employment, years of membership service equal to or exceeding  
10 the years of membership service specified in this paragraph  
11 "d" for qualifying as vested by service on that date of  
12 termination.

13 Sec. 23. Section 97B.4, subsection 2, paragraph c, Code  
14 2009, is amended to read as follows:

15 ~~c. In administering this chapter, the system may enter into~~  
16 ~~a biennial agreement with the department of administrative~~  
17 ~~services concerning the sharing of resources between the~~  
18 ~~system and department which are of benefit to each and~~  
19 ~~which are consistent with the mission of the system and~~  
20 ~~the department.~~ The budget program for the system shall be  
21 established by the chief executive officer in consultation with  
22 the board and other staff of the system and shall be compiled  
23 and submitted by the system pursuant to section 8.23.

24 Sec. 24. Section 97B.4, subsection 4, paragraph a, Code  
25 2009, is amended to read as follows:

26 *a. Annual report to governor.* Not later than the  
27 thirty-first day of December of each year, the system shall  
28 submit to the governor a report covering the administration  
29 and operation of this chapter during the preceding fiscal  
30 year and shall make recommendations for amendments to this  
31 chapter. The report shall include a balance sheet of the  
32 moneys in the retirement fund. The report shall also include  
33 information concerning the investment management expenses  
34 for the retirement fund for each fiscal year expressed as a  
35 percent of the market value of the retirement fund investment

1 ~~assets, including the information described in section 97B.7,~~  
 2 ~~subsection 3, paragraph "d".~~ The information provided under  
 3 this paragraph shall also include information on the investment  
 4 policies and investment performance of the retirement fund.  
 5 In providing this information, to the extent possible, the  
 6 system shall include the total investment return for the entire  
 7 fund, for portions of the fund managed by investment managers,  
 8 and for internally managed portions of the fund, and the cost  
 9 of managing the fund per thousand dollars of assets. The  
 10 performance shall be based upon market value, and shall be  
 11 contrasted with relevant market indices and with performances  
 12 of pension funds of similar asset size.

13 Sec. 25. Section 97B.11, subsection 3, paragraph d, Code  
 14 2009, is amended to read as follows:

15 *d. "Required contribution rate"* means that percentage of the  
 16 covered wages of members in regular service, members described  
 17 in section 97B.49B, and members described in section 97B.49C,  
 18 that the system shall, for each fiscal year, separately set  
 19 for members in each membership category as provided in this  
 20 paragraph. The required contribution rate that is set by the  
 21 system for a membership category shall be the contribution  
 22 rate the system actuarially determines, based upon the  
 23 most recent actuarial valuation of the system and using the  
 24 actuarial methods, assumptions, and funding policy approved  
 25 by the investment board, is the rate required by the system  
 26 to discharge its liabilities as a percentage of the covered  
 27 wages of members in that membership category. However, the  
 28 required contribution rate set by the system for members in  
 29 regular service for a fiscal year shall not vary by more than  
 30 ~~one-half~~ one percentage point from the required contribution  
 31 rate for the prior fiscal year.

32 Sec. 26. Section 97B.49A, subsection 3, Code 2009, is  
 33 amended to read as follows:

34 3. *Calculation of monthly allowance.* For each active or  
 35 inactive vested member retiring on or after July 1, 1994, with

1 four or more complete years of service, a monthly benefit shall  
 2 be computed which is equal to one-twelfth of an amount equal  
 3 to the applicable percentage of the ~~three-year~~ final average  
 4 covered wage multiplied by a fraction of years of service.  
 5 However, if benefits under this section commence on an early  
 6 retirement date, the amount of the benefit shall be reduced in  
 7 accordance with section 97B.50.

8 Sec. 27. Section 97B.49A, subsection 4, paragraph c, Code  
 9 2009, is amended to read as follows:

10 c. For each active and vested member retiring ~~with less than~~  
 11 ~~four complete years of service and~~ who therefore cannot have a  
 12 benefit determined under the formula benefit of paragraph "a"  
 13 or "b" of this subsection, subsection 3, or section 97B.49G,  
 14 subsection 1, a monthly annuity for membership service shall be  
 15 determined by applying the member's accumulated contributions  
 16 and the employer's matching accumulated contributions as of the  
 17 effective retirement date and any retirement dividends standing  
 18 to the member's credit on or before December 31, 1966, to the  
 19 annuity tables in use by the system according to the member's  
 20 age and contingent annuitant's age, if applicable.

21 Sec. 28. Section 97B.49D, subsection 1, unnumbered  
 22 paragraph 1, Code 2009, is amended to read as follows:

23 An active or inactive vested member, who is or has been  
 24 employed in both special service and regular service, who  
 25 retires on or after July 1, 1996, ~~with four or more completed~~  
 26 ~~years of~~ who is vested by service, and who at the time of  
 27 retirement is at least fifty-five years of age, may elect  
 28 to receive, in lieu of the receipt of a monthly retirement  
 29 allowance as calculated pursuant to sections 97B.49A through  
 30 97B.49C, a combined monthly retirement allowance equal to the  
 31 sum of the following:

32 Sec. 29. Section 97B.49D, subsection 1, paragraph a, Code  
 33 2009, is amended to read as follows:

34 a. One-twelfth of an amount equal to the applicable  
 35 percentage of the member's ~~three-year~~ final average covered

1 wage multiplied by a fraction of years of service. The  
 2 fraction of years of service for purposes of this paragraph  
 3 shall be the actual years of service, not to exceed thirty,  
 4 for which regular service contributions were made, divided by  
 5 thirty. However, any otherwise applicable age reduction for  
 6 early retirement shall apply to the calculation under this  
 7 paragraph.

8 Sec. 30. Section 97B.50, subsection 1, paragraphs a and b,  
 9 Code 2009, are amended to read as follows:

10 a. For a member who is ~~less than sixty-two years of age~~ not  
 11 vested on June 30, 2012, by twenty-five hundredths one-half of  
 12 one percent per month for each month that the early retirement  
 13 date precedes the ~~normal retirement date~~ the member attains age  
 14 sixty-five.

15 b. For a member who is ~~at least sixty-two years of age and~~  
 16 ~~who has not completed twenty years of membership service and~~  
 17 ~~prior service~~ vested on June 30, 2012, the member's retirement  
 18 allowance shall be reduced as follows:

19 (1) For that portion of the member's retirement allowance  
 20 based on years of service through June 30, 2012, by twenty-five  
 21 hundredths of one percent per month for each month that the  
 22 early retirement date precedes the member's earliest normal  
 23 retirement date using the member's age on the early retirement  
 24 date and years of service as of June 30, 2012.

25 (2) For that portion of the member's retirement allowance  
 26 based on years of service after June 30, 2012, by one-half of  
 27 one percent per month for each month that the early retirement  
 28 date precedes the date the member attains age sixty-five.

29 Sec. 31. Section 97B.50A, subsection 2, paragraph c, Code  
 30 2009, is amended to read as follows:

31 c. (1) Disease under this subsection shall mean heart  
 32 disease or any disease of the lungs or respiratory tract and  
 33 shall be presumed to have been contracted while on active duty  
 34 as a result of strain, exposure, or the inhalation of noxious  
 35 fumes, poison, or gases.



1     (2) Disease under this subsection shall also mean cancer  
2 or infectious disease, as defined in section 411.1, and shall  
3 be presumed to have been contracted while on active duty as a  
4 result of that duty.

5     (3) However, if a person's special service membership in  
6 the retirement system first commenced on or after July 1, 2000,  
7 and the heart disease, or disease of the lungs or respiratory  
8 tract, cancer, or infectious disease would not exist, but  
9 for a medical condition that was known to exist on the date  
10 that special service membership commenced, the presumption  
11 established in this paragraph "c" shall not apply.

12     Sec. 32. Section 97B.52, subsection 1, unnumbered paragraph  
13 1, Code 2009, is amended to read as follows:

14     If an inactive member, ~~with at least sixteen calendar~~  
15 ~~quarters of service credit~~ who is vested by service, or  
16 any active member dies prior to the member's first month of  
17 entitlement, the member's beneficiary shall be entitled to  
18 receive a death benefit equal to the greater of the amount  
19 provided in paragraph "a" or "b". If an inactive member ~~with~~  
20 ~~less than sixteen calendar quarters of service credit~~ who is  
21 not vested by service dies prior to the member's first month of  
22 entitlement, the member's beneficiary shall only be entitled  
23 to receive a death benefit, as a lump sum, equal to the amount  
24 provided in paragraph "a".

25     Sec. 33. Section 97B.52A, subsection 1, paragraph c, Code  
26 2009, is amended to read as follows:

27     c. (1) For a member whose first month of entitlement  
28 is July 2000 or later, the member does not return to any  
29 employment with a covered employer until the member has  
30 qualified for at least one calendar month of retirement  
31 benefits, and the member does not return to covered employment  
32 until the member has qualified for no fewer than four calendar  
33 months of retirement benefits.

34     (2) For purposes of determining a bona fide retirement  
35 under this paragraph "c", effective the following provisions

1 apply:

2     (a) Effective July 1, 2000, any employment with a covered  
3 employer does not include employment as an elective official  
4 or member of the general assembly if the member is not covered  
5 under this chapter for that employment.

6     (b) For purposes of determining a bona fide retirement  
7 ~~under this paragraph and for~~ a member whose first month of  
8 entitlement is July 2004 or later, but before July 2010 2012,  
9 covered employment does not include employment as a licensed  
10 health care professional by a public hospital as defined in  
11 section 249J.3, with the exception of public hospitals governed  
12 pursuant to chapter 226.

13     (c) Effective May 25, 2008, any employment with a covered  
14 employer does not include noncovered employment as a member of  
15 the national guard called to state active duty as defined in  
16 section 29A.1.

17     Sec. 34. Section 97B.58, Code 2009, is amended to read as  
18 follows:

19     **97B.58 Information furnished by employer.**

20     To enable the system to administer this chapter and perform  
21 its functions, the employer shall, upon the request of and  
22 in the manner provided by the system, ~~supply full~~ provide  
23 accurate, complete, and timely information to the system of  
24 all matters relating to the pay of all members, date of birth,  
25 their retirement, death, or other cause for termination of  
26 employment, and other pertinent facts the system may require  
27 in the manner provided by the system. The system shall not be  
28 liable to any member, retiree, or beneficiary for any monetary  
29 or other relief due to the failure of the employer to comply  
30 with this section.

31     Sec. 35. 2008 Iowa Acts, chapter 1171, section 47, is  
32 amended to read as follows:

33     SEC. 47. TRANSITION PROVISION — REQUIRED CONTRIBUTION RATE  
34 FOR FISCAL YEAR 2010-2011. For purposes of establishing the  
35 required contribution rate for the fiscal year beginning July

1 1, 2011, as provided in section 97B.11, as amended in this Act,  
 2 the required contribution rate for the fiscal year beginning  
 3 July 1, 2010, shall be, for ~~members in regular service~~, members  
 4 described in section 97B.49B, and members described in section  
 5 97B.49C, the total contribution percentage rate paid by members  
 6 and employers of that membership group for the fiscal year  
 7 beginning July 1, 2010.

8 Sec. 36. 2009 Iowa Acts, chapter 170, section 51,  
 9 subsections 1 and 3, are amended to read as follows:

10 1. a. Notwithstanding any provision of chapter 97B to the  
 11 contrary, a member of the Iowa public employees' retirement  
 12 system who has an employer-mandated reduction in hours or  
 13 an employee-exercised reduction in pay but remains on the  
 14 employer's payroll, and who would receive a reduction in the  
 15 member's three-year average covered wage as a result of the  
 16 reduction in hours, may have the member's retirement allowance  
 17 calculated based on the three-year average covered wage the  
 18 member would have received, based on reasonable assumptions,  
 19 if the member had not been subject to the employer-mandated  
 20 reduction in hours or employee-exercised reduction in pay, upon  
 21 payment by the member of the applicable contribution amount.

22 b. For purposes of this section, ~~the applicable contribution~~  
 23 ~~amount~~ unless the context otherwise requires:

24 (1) "Applicable contribution amount" is an amount equal to  
 25 the employee and employer contributions that would have been  
 26 paid to the system based on the wages that the member would  
 27 have received but for the employer-mandated reduction in hours  
 28 or employee-exercised reduction in pay and would have been  
 29 included in the member's three-year average covered wage.

30 (2) "Employee-exercised reduction in pay" means a reduction  
 31 in pay of a member who has exercised bumping rights by  
 32 accepting a lower-paid position in order to avoid being laid  
 33 off by the employer.

34 3. This section shall apply to employer-mandated reductions  
 35 in hours or employee-exercised reductions in pay during

1 the period of time beginning on or after January 1, 2009,  
2 and ending no later than June 30, ~~2010~~ 2011. The system is  
3 authorized to adopt such rules, including emergency rules, as  
4 it deems necessary or prudent to implement this section.

5 Sec. 37. IPERS REGULAR MEMBERS — FINAL AVERAGE COVERED WAGE  
6 — JULY 1, 2010 THROUGH JUNE 30, 2012. Notwithstanding any  
7 provision of section 97B.1A, subsection 10A, as enacted by this  
8 division of this Act, to the contrary, for the period beginning  
9 July 1, 2010, and ending June 30, 2012, "final average covered  
10 wage" means the member's three-year average covered wage.

11 Sec. 38. IPERS REGULAR MEMBERS — REQUIRED CONTRIBUTION  
12 RATE FOR FISCAL YEAR 2011-2012. Notwithstanding any provision  
13 of section 97B.11 to the contrary, for members in regular  
14 service as defined in section 97B.1A, the required contribution  
15 rate for the fiscal year beginning July 1, 2011, as provided  
16 in section 97B.11, shall be thirteen and forty-five hundredths  
17 percent.

18 Sec. 39. EFFECTIVE DATE. The section of this division of  
19 this Act amending section 97B.50 takes effect June 30, 2012.

20 Sec. 40. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
21 APPLICABILITY. The section of this division of this Act  
22 enacting section 97B.52A, subsection 1, paragraph "c",  
23 subparagraph (2), subparagraph division (c), being deemed of  
24 immediate importance, takes effect upon enactment and applies  
25 retroactively to May 25, 2008.

26 Sec. 41. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
27 APPLICABILITY. The section of this division of this Act  
28 amending 2009 Iowa Acts, chapter 170, section 51, being deemed  
29 of immediate importance, takes effect upon enactment and  
30 applies retroactively to January 1, 2009.

31 DIVISION III

32 STATEWIDE FIRE AND POLICE

33 RETIREMENT SYSTEM

34 Sec. 42. Section 8.59, Code 2009, is amended to read as  
35 follows:

1     **8.59 Appropriations freeze.**

2     Notwithstanding contrary provisions of the Code, the amounts  
 3 appropriated under the applicable sections of the Code for  
 4 fiscal years commencing on or after July 1, 1993, are limited  
 5 to those amounts expended under those sections for the fiscal  
 6 year commencing July 1, 1992. If an applicable section  
 7 appropriates moneys to be distributed to different recipients  
 8 and the operation of this section reduces the total amount to  
 9 be distributed under the applicable section, the moneys shall  
 10 be prorated among the recipients. As used in this section,  
 11 "*applicable sections*" means sections 53.50, 229.35, 230.8,  
 12 230.11, ~~411.20~~, and 663.44.

13     Sec. 43. Section 411.1, subsection 22, Code Supplement  
 14 2009, is amended to read as follows:

15     22. "*Surviving spouse*" shall mean the surviving spouse of a  
 16 deceased member ~~from active service~~. Surviving spouse shall  
 17 include a former spouse only if the division of assets in the  
 18 dissolution of marriage decree pursuant to section 598.17  
 19 grants the former spouse rights of a spouse under this chapter.

20     Sec. 44. Section 411.5, Code 2009, is amended by adding the  
 21 following new subsection:

22     NEW SUBSECTION. 16. *Benefits and financing review.* At  
 23 least every two years, the board shall review the benefits and  
 24 finances provided under this chapter. The board shall make  
 25 recommendations to the general assembly concerning this review,  
 26 which shall include recommendations concerning the long-term  
 27 financing and benefits policy of the system.

28     Sec. 45. Section 411.6, subsection 3, Code Supplement 2009,  
 29 is amended to read as follows:

30     3. *Ordinary disability retirement benefit.* Upon application  
 31 to the system, of a member in good standing or of the chief  
 32 of the police or fire departments, respectively, any member  
 33 in good standing shall be retired by the system, not less  
 34 than thirty and not more than ninety days next following the  
 35 date of filing the application, on an ordinary disability

1 retirement allowance, if the medical board after a medical  
2 examination of the member certifies that the member is mentally  
3 or physically incapacitated for further performance of duty,  
4 that the incapacity is likely to be permanent, and that the  
5 member should be retired. However, if a person's membership  
6 in the system first commenced on or after July 1, 1992, the  
7 member shall not be eligible for benefits with respect to a  
8 disability which would not exist, but for a medical condition  
9 that was known to exist on the date that membership commenced.  
10 A medical condition shall be deemed to have been known to exist  
11 on the date that membership commenced if the medical condition  
12 is reflected in any record or document completed or obtained  
13 in accordance with the system's medical protocols pursuant to  
14 section 400.8, or in any other record or document obtained  
15 pursuant to an application for disability benefits from the  
16 system, if such record or document existed prior to the date  
17 membership commenced. A member who is denied a benefit under  
18 this subsection, by reason of a finding by the medical board  
19 that the member is not mentally or physically incapacitated  
20 for the further performance of duty, shall be entitled to  
21 be restored to active service in the same position held  
22 immediately prior to the application for disability benefits.  
23 The member-in-good-standing requirement of this subsection  
24 may be waived for good cause as determined by the board. The  
25 burden of establishing good cause is on the member.

26 Sec. 46. Section 411.6, subsection 8, paragraph c,  
27 subparagraph (1), Code Supplement 2009, is amended to read as  
28 follows:

29 (1) The spouse, regardless of whether the spouse was  
30 designated by the member to the system as the member's  
31 beneficiary.

32 Sec. 47. Section 411.6, subsection 8, paragraph d,  
33 subparagraph (1), Code Supplement 2009, is amended to read as  
34 follows:

35 (1) To the member's surviving spouse, unless the surviving

1 spouse selected the pension under paragraph "b".

2     Sec. 48. Section 411.6B, Code 2009, is amended by adding the  
3 following new subsection:

4     NEW SUBSECTION. 3. *a.* For distributions after December  
5 31, 2009, a nonspouse beneficiary who is a designated  
6 beneficiary may roll over all or any portion of the  
7 beneficiary's distribution to an individual retirement account  
8 the beneficiary establishes for purposes of receiving the  
9 distribution by means of a direct rollover. In order to  
10 qualify for a rollover under this subsection, the distribution  
11 must otherwise satisfy the definition of an eligible  
12 rollover distribution. If a nonspouse beneficiary receives a  
13 distribution from the system, the distribution is not eligible  
14 for a sixty-day rollover.

15     *b.* If the member's named beneficiary is a trust, the system  
16 may make a direct rollover to an individual retirement account  
17 on behalf of the trust, provided the trust satisfies the  
18 requirements to be a designated beneficiary within the meaning  
19 of Internal Revenue Code section 401(a)(9)(E).

20     *c.* A nonspouse beneficiary may not roll over an amount  
21 which is a required minimum distribution, as determined  
22 under applicable United States treasury regulations and  
23 other federal Internal Revenue Service guidance. If the  
24 participant dies before the participant's required beginning  
25 date and the nonspouse beneficiary rolls over to an individual  
26 retirement account the maximum amount eligible for rollover,  
27 the beneficiary may elect to use either the five-year rule or  
28 the life expectancy rule, pursuant to applicable United States  
29 treasury regulations as provided in 26 C.F.R. § 1.401(a)(9)-3,  
30 in determining the required minimum distributions from the  
31 individual retirement account that receives the nonspouse  
32 beneficiary's distribution.

33     Sec. 49. Section 411.8, subsection 1, paragraph b,  
34 subparagraph (1), Code Supplement 2009, is amended to read as  
35 follows:

1     (1) On the basis of the actuarial methods and assumptions,  
 2 rate of interest, and of the mortality, interest and other  
 3 tables adopted by the system, the actuary engaged by the system  
 4 to make each valuation required by this chapter pursuant to the  
 5 requirements of section 411.5, shall immediately after making  
 6 such valuation, determine the normal contribution rate. Except  
 7 as otherwise provided in this lettered paragraph, the "*normal*  
 8 *contribution rate*" shall be the rate percent of the earnable  
 9 compensation of all members equal to the rate required by the  
 10 system to discharge its liabilities, stated as a percentage of  
 11 the earnable compensation of all members, and reduced by the  
 12 employee contribution rate provided in paragraph "f" of this  
 13 subsection and the contribution rate representing the any state  
 14 appropriation made ~~as provided in section 411.20~~. However,  
 15 the normal contribution rate shall not be less than seventeen  
 16 percent.

17     Sec. 50. Section 411.9, Code 2009, is amended by adding the  
 18 following new subsection:

19     NEW SUBSECTION. 1A. In the case of a member's death  
 20 occurring on or after January 1, 2007, if the member dies while  
 21 performing qualified military service as defined in section  
 22 414(u) of the Internal Revenue Code, the survivors of the  
 23 member are entitled to any additional benefits, other than  
 24 benefit accruals relating to the period of qualified military  
 25 service, provided by the system as if the member had resumed  
 26 membership service and had died as the natural and proximate  
 27 result of an injury or disease incurred in or aggravated by the  
 28 actual performance of duty at some definite time and place.

29     Sec. 51. Section 411.9, Code 2009, is amended by adding the  
 30 following new subsection:

31     NEW SUBSECTION. 1B. For years beginning after December  
 32 31, 2008, if a member who is absent while serving in the armed  
 33 services of the United States is receiving a differential wage  
 34 payment, as defined in section 3401(h)(2) of the Internal  
 35 Revenue Code, from a participating city, all of the following



1 shall apply:

2     a. The member is treated as an employee of the employer  
3 making the payment and as an active member of the system.

4     b. The differential wage payment is treated as earnable  
5 compensation of the member.

6     c. The system is not treated as failing to meet the  
7 requirements of any provision described in section 414(u)(1)(C)  
8 of the Internal Revenue Code by reason of any contribution or  
9 benefit which is based on the differential wage payment.

10     Sec. 52. Section 411.37, subsections 2 and 3, Code 2009, are  
11 amended to read as follows:

12     2. The board shall include in the transition plan or other  
13 transition documents, provisions to facilitate continuity under  
14 sections ~~411.20~~, 411.21, and 411.30, and any appropriations to  
15 the system from the state.

16     3. For each of the fiscal years beginning July 1, 1990,  
17 and July 1, 1991, ten percent of the amount appropriated by  
18 the state for distribution to cities ~~as provided in section~~  
19 ~~411.20~~ shall be made available to the board of trustees for  
20 the statewide system to cover the administrative costs of the  
21 transition. The amount distributed to each city shall be  
22 reduced accordingly. The moneys remaining unencumbered or  
23 unexpended at the end of the fiscal year beginning July 1,  
24 1990, and the moneys remaining unencumbered or unexpended on  
25 January 1, 1992, shall be credited to the cities in the same  
26 proportion as the reduction.

27     Sec. 53. REPEAL. Section 411.20, Code 2009, is repealed.

28     Sec. 54. STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM FUND  
29 — APPROPRIATIONS.

30     1. There is appropriated from the general fund of the state  
31 for deposit in the statewide fire and police retirement fund  
32 created in section 411.8, for the designated fiscal years, the  
33 following amounts:

34 FY 2010-2011 .....	\$ 1,500,000
35 FY 2011-2012 .....	\$ 750,000

1     2. Moneys appropriated by the state pursuant to this section  
2 shall not be used to reduce the normal rate of contribution of  
3 any city below 17 percent.

4     Sec. 55. STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM —  
5 BOARD REPORT.

6     1. The board of trustees of the statewide fire and police  
7 retirement system created in chapter 411, as enacted by  
8 this division of this Act, shall conduct a comprehensive  
9 examination of the benefits and finances provided under chapter  
10 411, including an examination of the long-term financing  
11 and benefits policy of the system, with the goal of making  
12 recommendations for benefit and other statutory changes to the  
13 system that will maintain an adequate retirement for members at  
14 a reasonable cost to members and employers.

15     2. On or before January 10, 2011, the board shall file a  
16 report with the general assembly which contains the results  
17 of the comprehensive examination and any recommendations for  
18 benefit or other statutory changes to the system.

19     Sec. 56. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
20 APPLICABILITY. The section of this division of this Act  
21 enacting section 411.9, subsection 1A, being deemed of  
22 immediate importance, take effect upon enactment and applies  
23 retroactively to deaths occurring on or after January 1, 2007.

24     Sec. 57. EFFECTIVE UPON ENACTMENT AND RETROACTIVE  
25 APPLICABILITY. The section of this division of this Act  
26 enacting section 411.9, subsection 1B, being deemed of  
27 immediate importance, takes effect upon enactment and applies  
28 retroactively to years beginning after December 31, 2008.